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Casey Report Encouraged Iran Talks

CIA Chief Judged Israeli Data on 'Moderates' to Be Bona Fide

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Central Intelligence Agency Director **William J. Casey** encouraged the secret White House initiative toward Iran in the summer of 1985 by providing his own intelligence evaluation, which supported Israeli claims that "moderates" in Iran were willing to open talks with the United States, informed sources said yesterday.

Casey, who has consistently described his and the CIA's role in the Iran affair as minimal, was asked to make the evaluation by Robert C. McFarlane, then national security adviser to President Reagan, according to the sources.

This followed a July 1985 meeting in Washington between McFarlane and David Kimche, then director general of the Israeli Foreign Ministry and a 30-year veteran of the Israeli Mossad secret intelligence service.

Kimche told McFarlane that there were Iranian moderates open to negotiations with Washington and "Bill Casey found the Israeli analysis bona fide, based on his own intelligence," said one well-placed source.

The CIA director took several weeks to assemble information from U.S. intelligence agencies and compare it to the Israeli intelligence, the source said. Only months earlier, Casey's senior Middle East analyst, **Graham Fuller**, had advanced the argument in the administration that the time was ripe to seek improved relations with Iran.

Kimche and other high-ranking Israeli diplomats had brought a large amount of sensitive intelligence data to McFarlane's White House office to support their assessment that there was an opportunity to restore a United States-Iran dialogue, the sources said. Included were communications intercepts, tape recordings and an appendix listing 1,000 well-placed Iranians described as favoring a relationship with the United States.

The Iranians listed included brigade commanders in the military, members of parliament and other key figures, according to two sources. One source said some of the names included those who had been secret CIA contacts prior to the Iranian revolution in 1979. In testimony to the House Foreign Affairs Committee Monday, McFarlane referred to "extremely persuasive intelligence information" he had been given about the so-called moderate Iranians, but said he could not discuss it in open session.

As congressional committees continued their investigations yesterday, a number of sources with firsthand knowledge said there is growing unhappiness among members of Congress about Casey's role in the Iran affair, as it becomes increasingly apparent that the CIA played a major part. The sources said that the director's answers in closed-session testimony have been evasive; some members of the intelligence oversight committees are said to feel that Casey broke faith with them.

Referring to a Reagan order to Casey last January not to notify Congress of U.S. arms sales to Iran, a Republican member of the Senate Select Committee on Intelligence said yesterday, "Despite the directive from the president that he not inform the Congress, Casey has severed the feeling of trust . . . Arms merchants from the Middle East to Canada knew of this, and he went along with keeping it secret from us."

In recent weeks, officials and former officials have increasingly engaged in finger-pointing, attempting to emphasize the roles of others in the affair. A source said that Casey defends his intelligence assessments, noting that sometimes the government must take reasonable chances. Casey, the source said, believes that all senior administration officials were under the president's instructions to "woo" the Iranians.

On May 28, when McFarlane flew into Tehran with a plane-load of arms, there was little secrecy, an

informed source said. McFarlane and his party traveled in a four-car motorcade to the Tehran Hilton, where they stayed for four days.

The congressional committees are discovering that dozens of people—including arms merchants, foreign middlemen and others without security clearances—knew at least something about the secret 18-month initiative. Two members used the same word—"absurd"—to describe the decision not to inform the two intelligence committees or at least the chairmen and vice chairmen, as provided by law.

A Democrat on the House Permanent Select Committee on Intelligence said, "Casey should have stood up and said there will be hell to pay for not telling the committees . . . Well, he's paying it now."

The House and Senate intelligence committees are attempting to determine if the CIA and the White House made faulty, overly optimistic assessments about the Iranian "moderates," sources said.

"There's a major intelligence failure at the bottom of this entire affair," said a key government official, who added that there is now evidence that the Iranians may have fed false information and may have successfully sprung an elaborate trap on the Reagan administration.

Sources said that one key "milestone" in Casey's attitude toward Iran was a 25-page paper produced in early 1985 by **Graham Fuller**, then the national intelligence officer for the Middle East. The paper "raised consciousness" about Iran, according to a source who read the document, and laid the groundwork for the belief that there were "moderates" in the regime of Ayatollah Ruhollah Khomeini who might be used or contacted.

It also contained information that the Iranian government was becoming unglued and emphasized the efforts being made by the Soviet Union to gain influence there. "There was the usual talk about the need to look beyond Khomeini," said a second source who dealt with the document.

Though Fuller's paper was initially for internal CIA use, Casey thought it good enough to send to the White House, as well as to the departments of State and Defense where it received a skeptical, if not hostile, reception.

Nonetheless, the sources said, this was the document that launched other studies in the CIA, including a May 17, 1985, memo on Iran that emphasized the Soviet efforts to cultivate Iranian contacts.

Though concerned about American hostages being held in Lebanon, sources said that Casey saw an opportunity to get a jump on the Soviets. "If we could have done it, it would have been a coup to get a foothold right in the underbelly of Russia," said one well-placed source familiar with Casey's thinking. "Too many people underestimate the Russian aspect of this."

A Several intelligence sources defended Casey's actions, noting his intense concern with the fate of William Buckley, the CIA station chief in Beirut, who had been kidnapped by terrorists in Lebanon in March 1984. Part of Casey's interest in Iran, sources said, grew out of his belief that the Iranians could intercede on Buckley's behalf.

Staff researcher Barbara Feinman contributed to this report.